

**CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2009-2010
ANNUAL REPORT OF ACCOMPLISHMENTS & ACTIVITIES**



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A NOTE FROM THE EXECUTIVE OFFICER

I am pleased to present the Fiscal Year 2009-2010 California Board of Accountancy (CBA) Annual Report. This report will replace the Executive Officer's Report to the California Board of Accountancy, and I hope that you will find it easier to read and more informative. This Accomplishments and Activities Report highlights the results of each division's operations as well as solutions that are under way to enhance and improve the CBA's commitment to California consumers and licensees.



Patti Bowers
Executive Officer

The past year has seen a number of major accomplishments and changes at the CBA, including:

- The update of the official CBA Mission and Vision statements.
- The creation of an inaugural Executive Leadership Roundtable.
- The repeal of Pathway 0 - one of three pathways to licensure as a California CPA.
- The chaptering of Senate Bill 819, which renders Pathway 1 inoperative as of January 2014, thus ensuring California remains "substantially equivalent" to other states.
- The chaptering of Assembly Bill 138, which implemented a mandatory Peer Review Program in California.
- The CBA voting unanimously to decrease licensee renewal fees.
- The launch of a new Non-Technical Unit in the Enforcement Division, to perform administrative investigations that do not require the expertise of an Investigative Certified Public Accountant.
- The submission of the 2010 Sunset Review Report to the Legislature, from which it will review the CBA and its activities.
- The creation of an internal Outreach Committee, which is designed to develop and implement strategies for promulgating the CBA message.
- The webcast of all CBA meetings.

All of these are valuable and mission critical changes to the CBA. However none of them fully illustrates the work CBA staff has devoted to increase customer service to all stakeholders. In the Executive Office, the Executive Analyst position was re-tasked to a Board and Committee Support Analyst in order to assist CBA and Committee members with whatever they need to better fulfill their role. In concert with the CBA's emphasis on outreach to various stakeholders, a Special Projects and Outreach Analyst position was also created inside the Administration Division. The position is responsible for drafting the myriad of reports that are requested by the CBA, DCA, and the Governor's Office, and serves on the CBA Outreach Committee.

One of the largest impacts to CBA operations this year was the Governor's furlough order. Staff work time and pay was reduced by almost 15%, however I am pleased to report that processing timeframes have remained relatively stable. I attribute this to staff willing to work

overtime and re-prioritize tasks as appropriate. I firmly believe that CBA staff are among the very best working at any board or bureau within the DCA.

The strength of the CBA staff can only be matched by that of the CBA management. In the past year, CBA Senior Management has created a Succession Plan, in order to ensure that the CBA workforce has the right people in the right positions, at the right time. In concert with the Succession Plan, I have instituted monthly manager meetings, senior manager meetings, and a bi-monthly all staff meeting, in which staff meet to discuss issues and agenda items from the previous CBA meeting.

In order to retain all of our great staff, CBA management works diligently to provide a positive workforce. In October of 2009 I instituted a quarterly theme competition, in which various units compete to see who can best portray that quarter's theme. The themes were:

- Reducing Waste, Saving Money
- Working Smarter, Not Harder
- Enhancing Customer Service
- Staff and Co-Worker Appreciation

Throughout all of the themes, staff developed numerous ways to reduce administrative costs, enhancing customer service, and working smarter. For instance:

- The CBA redeveloped the license applicant approval letter, which now informs applicants they may obtain the Initial Licensing Handbook on the CBA Web site. Previously, all applicants were provided a paper copy of the handbook.
- Placing all CBA meeting materials on the CBA Web site, which reduced mailing costs by approximately 50%.
- Requesting the property management company install motion sensing light switches throughout the office, which are the standard in most new State offices.
- Creating an employee satisfaction survey.

Looking forward to 2010-11, I am confident in saying that California consumers and licensees, CBA stakeholders, and fellow agencies can count on continued exemplary services and consumer protection at the California Board of Accountancy.

My sincere thanks to all who supported and assisted the CBA in the past year,

Patti Bowers
Executive Officer

ABOUT THE CALIFORNIA BOARD OF ACCOUNTANCY

From its inception in 1901, the California Board of Accountancy has, by statute, been charged with regulating the practice of accountancy. The original law prohibited anyone from falsely claiming to be a certified accountant, a mandate which exists today.

The standards for licensure have always been high. The first accountants certified by the CBA in 1901 were required to sit for a written examination, including questions on Theory of Accounts, Practical Accounting, Auditing, and Commerce Law, with a passage rate of at least 70 percent for each section. Applicants were required to provide a notarized affidavit certifying at least three years accounting experience, at least two years of which must have been in the office of a Certified Public Accountant (CPA) performing actual accounting work. In addition, each applicant was required to submit three references testifying to his character, in the form of a "Certificate of Moral Character." Today's mandate that each CBA licensee pass an ethics course finds its antecedent in the CBA's original requirement of this certificate.

In 1929, the Legislature placed the CBA within the Department of Professional and Vocational Standards. In 1945, the Accountancy Act was substantially revised. In 1971, the Legislature located the CBA within the newly-created Department of Consumer Affairs.

Function of the CBA:

The CBA's legal mandate is to regulate the accounting profession for the public interest. The CBA establishes and maintains entry standards of qualification and conduct within the accounting profession, primarily through its authority to license. The CBA's enabling act (the Accountancy Act) is found at Section 5000 *et seq.* of the Business and Professions Code, and the CBA's regulations appear in Title 16, Division 1 of the California Code of Regulations (CBA Regulations).

The CBA has the authority to license and discipline not only individuals but also firms. As accounting practitioners, the Certified Public Accountant and the Public Accountant (PA) are proprietors, partners, shareholders, and staff employees of public accounting firms. They provide professional services to individuals, private and publicly-held companies, financial institutions, nonprofit organizations, and local, state, and federal government entities. CPAs and PAs also are employed in business and industry, in government, and in academia.

The CBA performs its consumer protection mission for many stakeholders, including:

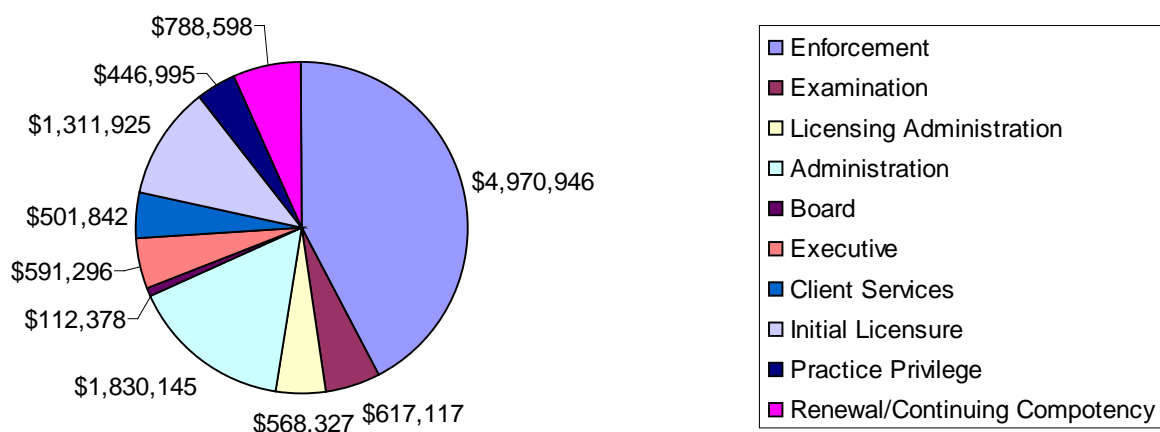
- Consumers of accounting services who require audits, reviews, and compilations of financial statements, tax preparation, financial planning, business advice and management consultation, and a wide variety of related tasks.
- Lenders, shareholders, investors, and small and large companies who rely on the integrity of audited financial information.
- Governmental bodies, donors, and trustees of not-for-profit agencies which require audited financial information or assistance with internal accounting controls.

- Regulatory bodies such as the Securities and Exchange Commission, the Public Company Accounting Oversight Board, the Public Utilities Commission, and federal and state banking regulators; local, state, and federal taxing authorities.
- Retirement systems, pension plans, and stock exchanges.

Current law stipulates that the CBA consists of 15 members, seven of whom must be CPAs, and eight of whom shall be public members who shall not be licensees of the CBA or registered by the CBA. The Governor appoints four of the public members and the seven licensees. In appointing the seven licensees, the Governor must appoint members representing a cross-section of the accounting profession with at least two members representing small public accounting firms. A small public accounting firm is defined as a professional firm that employs a total of no more than four licensees as partners, owners, or full-time employees in the practice of public accountancy. The Senate Rules Committee and the Speaker of the Assembly each appoint two public members.

BUDGET

FY 2009-10 Expenditures by Program Component



The CBA's budget in FY 2009-10 was \$11,739,569. This is the maximum amount of money that the CBA can spend on annual operations. The pie chart above illustrates the resources allocated to each unit within the CBA. The CBA Administration Division is responsible for determining the budgets for each program. The number and classification of personnel, specific contracts, and expected equipment purchases are all considered when determining these amounts. The CBA submitted these amounts to the Department of Consumer Affairs in December 2009. While the division of the budget is entirely optional, it provides the CBA with a tool to better track its expenditures and to hold each program accountable for their spending.

Staff are responsible for submitting documents to assist the Department of Consumer Affairs and the Department of Finance in the creation of the CBA budget. In August 2009, CBA staff submitted workload and revenue statistics to finalize projected revenue levels for the FY 2010-11 Governor's Budget. These statistics will also provide a preliminary estimate to use for projecting revenues in the FY 2011-12 budget. Staff also submitted equipment requests to DCA in August 2009. DCA approved over \$50,000 in the FY 2010-11 budget for CBA equipment purchases.

The CBA also submitted two legislative FY 2010-11 budget change proposals (BCP) requesting four additional positions. Two of the positions will be responsible for promulgating regulations and providing committee support in preparation for the elimination of Pathway 1. The other two positions will be responsible for the program operations and support of the new Peer Review Program. The proposals have been approved by the DCA, the State and Consumer Services Agency, the Department of Finance and the Legislature. They will be included in the FY 2010-11 Governor's Budget.

In January 2010, the Governor issued Executive Order (EO) S-01-10 which required departments to develop and implement a plan to achieve an additional 5% salary savings in FY 2010-11. The DCA Budget Office identified budget year target savings reductions, and the CBA was instructed to come up with a plan to achieve an additional 5% personal services savings, or approximately \$260,000, in FY 2010-11. The CBA reviewed upcoming vacancies and past expenditure patterns and identified steps by which it could achieve these new required savings.

CBA staff also provide quarterly financial reports at CBA meetings. These reports are designed to give CBA members status updates on CBA spending levels, revenues received as well as estimated reserves in the Accountancy Fund. The following table details year end financial information that was presented at the September 2010 CBA meeting. The CBA's expenditures in FY 2009-10 totaled approximately \$8.6 million, which was well within the \$11.7 million that the CBA was appropriated in that year.

| ANALYSIS OF FUND CONDITION | FY 2009-10 (Actual) | FY 2010-11 (Projected) | FY 2011-12 (Projected) |
|------------------------------------|----------------------------|-------------------------------|-------------------------------|
| Total Reserves, July 1 | \$15,693,000 | \$19,753,000 | \$10,525,000 |
| Total Revenues | \$12,703,000 | \$13,249,000 | \$9,860,000 |
| Total Transfers | \$0 | -\$10,000,000 | \$10,000,000 |
| Total Rev. & Transfers | \$12,703,000 | \$3,249,000 | \$19,860,000 |
| Total Resources | \$28,396,000 | \$23,002,000 | \$30,384,000 |
| Total Expenditures | \$8,643,000 | \$12,477,000 | \$12,703,000 |
| Unreimbursed Loans to General Fund | \$20,270,000 | \$30,270,000 | \$20,270,000 |
| Reserve, June 30 | \$19,753,000 | \$10,525,000 | \$17,681,000 |
| MONTHS IN RESERVE | 19.7 | 9.9 | 16.4 |

ADMINISTRATION DIVISION

INTRODUCTION

The Administration Division is comprised of twenty staff who are responsible for all the CBA day to day operations. Duties include assisting with the creation of the budget, facilitating requests for staffing augmentations, contracting with vendors, purchasing new equipment, serving as liaison to the Department of Consumer Affairs related to personnel and travel matters, providing information technology support to CBA staff, maintaining the CBA Web site, and providing timely outreach to all stakeholders.

WORKFORCE AND SUCCESSION PLANNING

The Administration Division has been very active in its pursuit of workforce and succession planning. Over the past year, all Reception and Cashiering staff were cross-trained in Mailroom procedures. Further, select Reception staff were cross-trained in Cashiering procedures. Cross-training ensures that in the event staff are out of the office, or leave for another position, qualified, trained staff are available to perform those duties and ensure continuity of business processes.

After identifying the need for a designated Outreach and Special Projects Analyst, CBA management chose to move a technical position from Administrative Services to Outreach & Communications and reclassify the position to Associate Governmental Program Analyst. The re-classification addressed a critical need for administrative support related to a myriad of issues and projects such as participation on the Outreach Committee, response to Public Record Act requests, preparation of the CBA Annual Report and the CBA Sunset Review Report.

STRATEGIC PLAN ACCOMPLISHMENTS

Strategic planning is a major emphasis for all divisions within the CBA, but perhaps none larger than the Administration Division. Many of the Goals and Objectives reflected in the CBA 2010-2012 Strategic Plan somehow impact the day to day operations of the CBA office, and as such require a large amount of attention by Administration Division staff.

- **Maintain a secure and relevant Web site that provides enhanced interactive features.**

Staff regularly attend training to ensure they are aware of, and prepared to address, security issues. Launching CBA E-news comprised a notable step towards relevance of the Web site as well as its interactivity. The online Peer Review Reporting System was also a major contribution to the CBA's success in terms of adding interactive features to the Web site.

- **Increase the CBA's visibility and reputation with the Legislature.**

Staff regularly communicate the CBA's position on legislation with authors' offices, and maintain contact with consultants for the respective business and professions committees.

- **Develop a communication plan that increases and prioritizes outreach efforts and focuses on key messages.**

This objective was accomplished through the development of the CBA 2010-2012 Communications & Outreach Plan and the CBA staff Outreach Committee.

- **Evaluate options for delivering agenda materials.**

CBA agenda materials are now being posted to the Web site, and only distributed in hardcopy form to interested parties on request. Staff are still assessing the possibility of providing CBA members with laptop computers containing all agenda materials to utilize at CBA meetings.

- **Establish a policy for Board Member participation in national committees.**

This objective was accomplished through the addition of a "National Committee" section to the CBA Member Guidelines & Procedures Manual.

- **Monitor national association activities and respond as appropriate.**

In order to address this objective, a communication to CBA members regarding national associations' current exposure drafts is included in each Executive Officer Monthly Report.

- **Review and refine the CBA's organizational structure as necessary.**

In 2009 the CBA created the Non-Technical Unit (NTU) in the Enforcement Division, and drafted a reorganization plan for Licensing Division, including movement of Peer Review, Practice Privilege and Continuing Education audit functions to the Enforcement Division.

- **Redesign CBA's existing workspace to enhance organization cohesiveness and productivity**

The build out of new space acquired in latest facility lease is complete, including a new License File Room, Enforcement File Room, Storage Room and IT Storage Room.

PUBLIC AFFAIRS & OUTREACH

One of the most significant areas of emphasis in the last year was in Public Affairs and Outreach. The concentration is evident in the creation of the new CBA 2010-2012 Strategic Plan, which contains a goal to provide and maintain effective and timely outreach to all CBA stakeholders. One way the CBA is working to achieve that goal is through the creation and implementation of the 2010-2012 Communications and Outreach Plan (Outreach Plan). The Outreach Plan identifies CBA stakeholders and outlines the goals of the communication efforts to reach and inform each group. These high-level strategies and goals are intended to provide guidance in planning and measuring results of current and future communications efforts.

In concert with these objectives, CBA staff created an Outreach Committee comprised of CBA staff to provide input and resources from across divisions and programs. The CBA Public Information Officer provides oversight and guidance to the Outreach Committee to ensure that planning and executing communications and outreach efforts will be integrated with the goals of the Outreach Plan.

The Executive Roundtable meetings held in January 2010 were the genesis of another portion of the Outreach Plan—that of an Ambassador Program. The CBA Vice-President, or her/his designee, will serve as an “Ambassador” of the CBA to specific stakeholder groups including professional organizations, colleges/universities, Chambers of Commerce, civic organizations, state/federal agencies which serve and/or employ CPA licensees. CBA staff is currently working to create a primer of talking points for the Ambassador, and is looking for opportunities to utilize their skills.

The dawning of FY 2009-10 brought with it a change to the “brand” that makes up the CBA. CBA staff worked diligently with the DCA Office of Publications to develop a new logo for the CBA. The logo was approved at the July 2009 CBA meeting, bringing with it a fresh look to CBA communications. The new logo also changed the way the California Board of Accountancy is referred to. Previously, the California Board of Accountancy second reference was “Board”. However, this could lead to some confusion as there are twenty one other boards within the DCA, all that conceivably utilize the same abbreviation. In keeping with the new logo and brand of the CBA, all abbreviations of “Board” were changed to “CBA”.

Since the Fall of 1986 the CBA has published a newsletter called *UPDATE*. The *UPDATE* is utilized as a tool to inform licensees of regulation changes, enforcement actions, and other current events at the CBA. In order to increase contact with the licensee public, the CBA has recently increased production from a bi-annual to tri-annual publication. Program staff has worked diligently to provide valuable information to stakeholders through *UPDATE*, including articles on:

- Peer Review
- Explanation of the Renewal Process
- Fee Reductions Approved by the CBA
- Use of the “Inactive” Designation
- Where the CBA Spends its Money
- Customer Satisfaction – A CBA Priority

In order to keep the press and consumers apprised of the activities of the CBA, staff has significantly increased the issuance of press releases during FY 2009-10. In FY 2009-10, the CBA issued 25 press releases, up from 12 in FY 2008-09.

In concert with Strategic Plan Goal 5 to maintain an active presence and leadership role that efficiently leverages the CBA’s position of regulatory influence, the CBA currently has nine members and staff serving on various American Institute of Certified Public Accountants and National Association of State Boards of Accountancy sub-committees.

Staff has made a conscious effort to expand CBA Communications and Outreach, and will continue to do so into the future. Outreach to all stakeholders, not just consumers, is paramount to fulfilling the CBA vision that all consumers are well informed and receive quality accounting services from licensees they can trust.

LEGISLATION AND REGULATION

Sunset Review

On September 1, 2009, the CBA submitted its Sunset Review Report to the Legislature. However, the Legislature is currently in the process of revising the sunset review process, and as such, no hearings were held subsequent to the report's submission, and the CBA's sunset date of July 1, 2011 was not extended. In March of 2010 the Legislature requested an updated Sunset Review Report. The report was submitted October 1, 2010, and hearings have been scheduled for February 2011.

Blue Book

The CBA Blue Book is a compilation of the Accountancy Act, the CBA Regulations, and other related California Codes. The Blue Book was updated and is current as of January 1, 2010.

LEGISLATION ENACTED

- **Assembly Bill (AB) 117 of 2009 (Niello)**
AB 117 requires that a CPA who holds an inactive license must include the word "inactive" immediately after the CPA designation.
- **AB 138 of 2009 (Hayashi)**
AB 138 establishes a mandatory peer review requirement for all California licensed firms. It also creates the Peer Review Oversight Committee to advise the CBA on peer review matters.
- **AB 1005 of 2009 (Block)**
AB 1005 requires the CBA to webcast all CBA meeting live over the Internet. It also requires that the minutes of CBA meetings be posted to the Web site once they have been finalized. Finally, it requires that notice of accusations be posted on the Web site along with related information.
- **Senate Bill (SB) 819 of 2009 (Yee)**
The CBA currently has two pathways to licensure for Certified Public Accountants:
 - Pathway 1 requires a baccalaureate degree and two years of experience.
 - Pathway 2 requires a baccalaureate degree, a total of 150 semester units of education, and one year of experience.SB 819 makes Pathway 1 inoperative as of January 1, 2014, and, from that date forward, requires that the 150 semester units of education required by Pathway 2 include 10 semester units of ethics study and 20 additional semester units of accounting study.

To facilitate the educational changes, SB 819 created the following committees:

- The Advisory Committee on Accounting Ethics Curriculum, referred to as the Ethics Curriculum Committee, which, within the jurisdiction of the CBA, is composed of 11 members. The committee is required to recommend guidelines for the ethics study requirement to the CBA by January 1, 2012.
- The Accounting Education Advisory Committee, referred to as the Accounting Education Committee, whose members are appointed by the CBA and must be experts in accounting education. The committee has been tasked with recommending to the CBA accounting study guidelines consisting of 20 semester units to be included as a part of the education necessary for licensure as a CPA.

The law also requires the CBA to adopt recommendations from the Ethics Curriculum Committee by January 31, 2013, and requires the CBA to adopt guidelines for the accounting study requirement forthcoming from the Accounting Ethics Committee by January 1, 2012.

Finally, SB 819 deleted the sunset date for the California Practice Privilege program.

REGULATIONS FINALIZED AND FILED

- **Peer Review Emergency Regulations Effective January 1, 2010:**
Established the parameters of the CBA's mandatory Peer Review Program, which was implemented through AB 138 of 2009. Full details of the program can be found later in this document
- **Continuing Education Regulations Effective January 1, 2010:**
Made changes to the Continuing Education (CE) requirements to require an ethics course every two years; created a new course to cover the Accountancy Act and CBA Regulations to be taken every six years; requires at least 20 of the 80 CE hours required for biennial license renewal to be taken each year; and made other changes to requirements for licensees whose license is in a status other than active.
- **Attest Definitions Regulations Effective February 5, 2010:**
Clarified and defined "attest services" and "attest report" as an audit, a review of financial statements, or an examination of prospective financial information, but excluded the issuance of compiled financial statements.
- **Attest Client Notification Regulations Effective March 20, 2010:**
Clarified that an attest client or prospective attest client must be notified about the ownership composition of an accountancy firm if none of the licensee owners are authorized to sign reports on attest engagements.

REGULATIONS IN PROGRESS

- **Certificate of Compliance for Peer Review Emergency Regulations:**
Will make the CBA's emergency peer review regulations permanent.
- **Peer Review Oversight Committee Regulations:**
Will establish the qualifications and duties of the Peer Review Oversight Committee and will establish an adjudication procedure for peer review programs which are denied CBA approval.
- **Continuing Education: Exemptions and Extensions Regulations:**
Will add Article 6-Peer Review to the list of required course content for CBA approved regulatory review courses.
- **Fee Regulations:**
Will reduce the fees for renewal and initial licensure for four years at which time the fees will return to current levels unless a determination is made by the CBA to set fees at some other level.

CBA WEB SITE

CBA staff has made strides to improve the CBA Web site, and to liaison with other state agencies that might have similar stakeholders. For example, visitors to the Board of Equalization Web site are now able to easily access the CBA Web site via a link that is prominently displayed on the Board of Equalization's home page.

In accordance with AB 1005, all CBA meetings are now webcast live over the internet, and are stored for future viewing. The CBA also posts the approved minutes from each meeting. Further, in order to reduce copying and postage costs and to improve accessibility of CBA meeting materials, all meeting materials are now available electronically on the Web site for interested parties to download as necessary.

One of the biggest additions to the Web site was the creation of the E-News service. Visitors to the CBA Web site are encouraged to sign up for an E-News subscription, and are emailed a link to any important Web site updates or changes. Thanks to the pervasiveness of "New Media," (social networking, blogs, etc.) staff have discovered that CBA's E-News is being "tweeted" by several Twitter users. The Twitter profiles indicate a variety of "tweeters," from individuals in the finance world to CPA Exam applicants. The use of Twitter is a good example of CBA's message "reach" exceeding our initial efforts. As of June 30, 2010 the CBA had approximately 1,600 E-News subscribers.

In support of AB 138, the CBA Web site added a Peer Review section, providing regulation, program provider, reporting form, and FAQs information. To support the licensees, renewal information, continuing education requirements and providers were added as well.

The primary changes to the Laws and Rules section of the Web site came in the form of the Blue Book. The Blue Book is a compilation of the Accountancy Act, CBA Regulations, and other Codes related to the CBA. A new section was also established on the CBA Web site for Pending Legislation. This section lists Assembly and Senate Bills the CBA is currently

following, provides links to the official California Legislative Information Web site for each bill, and indicates the CBA's position on each bill.

Finally, in order to assist the public in putting a face with the CBA, the CBA members' photos and biographies were posted to the Web site, and a banner of the CBA President Manuel Ramirez was created and highlighted on the CBA home page. The banner provides a link to the *UPDATE* Publication.

INFORMATION TECHNOLOGY

Over the past year, CBA IT staff have successfully completed several important projects that have enhanced the internal operations and CBA outreach and communication with stakeholders. It is worth noting that in light of the State of California's fiscal crisis and the increased pressure on State agencies to reduce waste and operate more efficiently, these CBA IT projects were also completed with minimal expenditures by utilizing existing CBA resources.

In response to the CBA Strategic Plan goal of improving stakeholder communication and outreach, IT staff developed both the E-News service and live webcast of CBA meetings. These services were developed internally for less than \$1,500 in combined total hardware and software costs.

CBA's new Peer Review system went into operation on July 1st, 2010. This system provides licensees with the ability to comply with the new peer review reporting requirements of AB138 by completing a simple interactive form on the CBA's Web site. The system also helps to minimize the workload impact of this new requirement on CBA staff by reducing the need for manual entry of peer review reporting data and by providing CBA staff with the ability to monitor compliance and produce letters and reports. The Peer Review reporting system was also developed internally using only existing CBA resources.

Other notable accomplishments of the past year include: the creation of a Information Practices Act and Public Record Act (IRA/PRA) tracking system to track and route requests and ensure CBA compliance the requirements of the California Public Record Act; the completion of the transition to the Office of Technology Services Consolidated E-Mail Hygiene and Encryption Service (E-Hub) as directed by the Governor's Executive Order S-03-10; the completion of the annual review and update of the CBA Software Management Plan; and the increased use of server virtualization in order to better utilize existing CBA server hardware, improve efficiency and reduce power usage.

TRAVEL

In February 2010, the Assembly Accountability & Administrative Review Committee held a hearing and invited various agencies, including DCA, to discuss reports of excessive state spending reported by the media. DCA was asked to explain its conference and meeting facility expenses. CBA staff have reduced in-state travel expenditures from \$145,771 in FY 2008-09 to \$127,866 in FY 2009-10, which is a 12% reduction in costs compared to FY 2008-09.

CBA staff processed 172 travel claims in FY 2009-10 using the CalATERS system. Travelers receive electronic copies of their completed claims from staff immediately upon submission and receive payments directly from DCA, greatly reducing travel claim processing time.

PERSONNEL

CBA staff have updated the Business Continuity Plan. This is an emergency operations plan intended to assist management with focusing on continuity of essential business functions in the event of a major business disruption. It consists of a risk assessment analysis and identification of general recovery strategies and considerations, for CBA's identified essential business functions, including reception, Web capabilities, procurement, contracting and information services.

Early in 2009 the DCA conducted a process improvement project within its Office of Human Resources. CBA staff served on a DCA committee that analyzed, through facilitated exercises, the Office of Human Resource's existing processes and made recommendations for improving them (e.g., identifying and deleting bottlenecks and inefficiencies; improving customer service.)

CBA staff continue to participate in the Human Resource Modernization (HR Mod) Project, which streamlines hiring, rewards performance, and simplifies the State's system of job classifications. Participation requires CBA staff to submit to the DCA justifying statements when hiring for the Associate Governmental Program Analyst, Investigative CPA, and Staff Services Manager I classifications, and to submit probationary reports timely.

ENFORCEMENT DIVISION

INTRODUCTION

The CBA has significant responsibilities in the area of consumer protection. Workload is prioritized to maximize consumer protection and mitigate consumer harm. Cases with the potential for ongoing consumer harm receive the highest priority and urgent attention. The options of interim suspension order or Penal Code Section 23 suspension are utilized whenever appropriate to suspend licensee practice rights, and to diminish potential consumer losses.

The Enforcement Division receives complaints from consumers of accounting services, members of the accounting profession, professional societies, law enforcement agencies, other government agencies, and internal referrals from CBA committees and other programs. While historically consumers and internal referrals have been the main origin of complaints, licensees also have been a significant source, most often reporting unlicensed activity. CBA members and staff also regularly monitor the news media for information that may suggest licensees' violations of the Accountancy Act.

WORKFORCE AND SUCCESSION PLANNING

During the past year the Enforcement Division experienced an employee turnover rate of 70%. Three of the five Investigative Certified Public Accountants (Investigative CPA) and both the Supervising Investigative CPA and the Division Chief left the CBA. All but one of the departures were due to retirements. This loss of staff and the difficulty of recruiting staff prompted CBA leadership to change work processes and staffing.

Historically it has been difficult to recruit and retain Investigative CPAs, with low salaries and the state testing process contributing to these challenges. To address the non-parity of CPA salaries to those outside State civil service, the issue was raised to the Director of the Department of Consumer Affairs. The Director is very supportive of addressing the Investigative CPA salaries through the collective bargaining process or through action by the Department of Personnel Administration. We are hopeful that this momentum will continue into the new fiscal year and the salary issue will be finally resolved.

In order to address constraints within the civil service testing guidelines, a new testing process was implemented. This new process allows for the continuous filing of applications for the Investigative CPA exam. Previously, applicants could only apply for the exam for a limited time (typically 30 days out of the year). An interested CPA may now apply for the Investigative CPA exam year round, and exams are given as needed. Additionally, the written portion of the Investigative CPA exam has been eliminated. The applicant now proceeds directly to an interview based examination, without taking a written exam. Finally, positions can now be filled on a state-wide basis, meaning some positions are no longer tied to Sacramento. By using flexible work arrangements, the CBA can hire Investigative CPAs to work remotely anywhere in the state. These changes along with planned recruitment efforts will make it easier for licensees to apply of the Investigative CPA exam.

Filling the Enforcement Chief position also required changes. Previously this position required a CPA license, however to increase the candidate pool the position was reclassified as a Career Executive Assignment (CEA). This change was successful and the position was filled at the CEA level. Additionally, internal staff member was promoted to the Supervising Investigative CPA position. In spite of the diligent efforts of CBA management, there are currently four vacant Investigative CPA positions in addition to the new position the CBA received on July 1, 2010 for the Peer Review Program. The next Investigative CPA exam is scheduled for December, and CBA Senior Staff is confident that the changes made in the hiring process will be effective in recruiting new staff shortly.

The CBA has historically used Investigative CPAs to conduct all investigations. Investigative CPAs are licensed Certified Public Accountants and as mentioned earlier, recruiting and retaining them has been difficult. A review of the work processes revealed that some of the work currently performed by Investigative CPAs could be done by non-licensed staff. In order to allow the Investigative CPAs to focus on casework of a more technical nature, CBA senior staff established a Non-Technical Investigations Unit.

This Non-Technical unit is staffed with five analysts and two support staff. The unit is responsible for all administrative investigations, including practicing without a permit, practicing with an inactive/expired permit, signing tax returns without a permit, and practicing with continuing education deficiencies. The value of the unit is evident in the marked rise of Citations/Fines, and Cease and Desist letters in the following table, which assist in ensuring licensee adherence to established law and regulations.

STRATEGIC PLAN ACCOMPLISHMENTS

Staff have been actively working on the eleven Strategic Plan Objectives directly related to the Enforcement Division. Below is a status of a few where significant action has occurred.

- **Recruit effective leadership for the Enforcement Program.**
The Enforcement Chief position at the CBA was reclassified to a Career Executive Assignment, greatly expanding the available candidate pool.
- **Achieve salary parity for Investigative CPA staff to ensure success in hiring and retention efforts.**
CBA management continues to actively work with DCA and the Department of Personnel Administration to address the pay inadequacies for the Investigative CPA classification.
- **Achieve an Investigative CPA staffing level to adequately address workload demands.**
With the implementation of the Peer Review Program, the CBA was granted the authority to hire an additional Investigative CPA.
- **Increase licensees' awareness of the consequences of unprofessional conduct.**
Increasing awareness is an ongoing task for the Enforcement Division. Recent accomplishments include changing the format of the *UPDATE* enforcement actions, a recent article related to unlicensed activity, and the Outreach Committee's work on updating the Enforcement Pamphlet.

- **Seek to remove or extend the Practice Privilege Program sunset date**
Achieved with the chaptering of SB 819.

CONSUMER PROTECTION ENFORCEMENT INITIATIVE (CPEI)

The CPEI is a comprehensive initiative the DCA launched to overhaul enforcement processes at all healing arts boards. The healing arts boards regulate a variety of professions from doctors and nurses to physical therapists and optometrists. The DCA will address the remaining boards and bureaus, including the California Board of Accountancy, at a future date. However, the Enforcement Division has been affected by the CPEI during the past year.

CBA staff assisted the DCA on developing an enforcement improvement model. DCA solicited participants from all boards and bureaus to serve on a Best Practices Identification Committee, which was charged with conducting an analysis of existing enforcement functions throughout the boards and bureaus of DCA as well as in other states. This Best Practices Identification Committee was facilitated by DCA's Strategic Organization, Leadership & Individual Development (SOLID) Team and the results of this project were used to assist in the development of the DCA's new Enforcement Academy training program.

POSTING ACCUSATIONS

The topic of posting pending accusations has been discussed at various CBA meetings. At the September 2010 meeting, the CBA voted to post to the CBA Web site, all pending accusations in their entirety, with water marks indicating they are not final.

PERFORMANCE MEASURES

As part of the Consumer Protection Enforcement Initiative, the DCA will be posting Performance Measures for each board and bureau. Starting in July 2010, each board and bureau is tracking performance measurement data and will provide the data to DCA quarterly for posting to its Web site. The first data was due to the DCA in October 2010. The Performance Measures implemented by DCA are:

1. Number complaints received.
2. Average number of days to complete complaint intake.
3. Average number of days to complete investigations not resulting in formal discipline.
4. Average number of days to complete investigations resulting in formal discipline.
5. Average cost of intake and investigation for complaints not resulting in formal discipline.
6. Consumer satisfaction with the services received during the enforcement process.
7. Average number of days from the date a probation monitor is assigned to the date the monitor makes contact.
8. Average number of days from the time a violation is reported to the program to the time the probation monitor responds.

Enforcement Advisory Committee

Enforcement Division staff act as liaisons to the Enforcement Advisory Committee (EAC). The EAC is comprised of licensees in public practice and assists the CBA in an advisory capacity with enforcement activities. During FY 2009-10 the EAC met 3 times, reviewed 30 closed

investigative files, and conducted 3 investigative hearings. Enforcement Division staff facilitated the meetings, provided statistical information on investigation and discipline, and assisted in conducting the investigative hearings.

Peer Review Oversight Committee

Enforcement Division staff act as liaisons to the Peer Review Oversight Committee (PROC). The PROC assists the CBA in oversight of the newly established Peer Review Program. The PROC members were appointed at the end of FY 2009-10 and the first meeting is scheduled for November 9, 2010.

COMPLAINT MANAGEMENT (STATISTICS)

| | FY 2008-09 | FY 2009-10 |
|--|------------|------------|
| Complaints | | |
| Received | 868 | 630 |
| Closed without Assignment for Investigation | 779 | 369 |
| Assigned for Investigation | 144 | 331 |
| Average Days to Close or Assign for Investigation | 51 | 25 |
| Pending | 67 | 0 |
| Average Age of Pending Complaints | 79 | N/A |
| Convictions/Arrest Reports | | |
| Received | 10 | 75 |
| Closed | 9 | 63 |
| Assigned for Investigation | 1 | 15 |
| Average Days to Close/Assign for Investigation | 2 | 3 |
| Pending | 3 | 0 |
| Investigations | | |
| Initial Assignment for Investigation | 145 | 346 |
| Investigations Closed | 91 | 280 |
| Average Days to Close | 327 | 212 |
| Investigations Pending | 130 | 196 |
| Average Age of Pending Investigation | 266 | 197 |
| Enforcement Actions | | |
| AG Cases Initiated | 37 | 35 |
| AG Cases Pending | 36 | 41 |
| Statement of Issues Filed | 0 | 1 |
| Accusations Filed | 29 | 26 |
| Disciplinary Orders | | |
| Proposed Decisions / Default Decisions Effective | 7 | 8 |
| Stipulations Effective | 24 | 17 |
| Average Days to Complete Proposed Decisions/Default Decisions/Stipulations* | 672 | 722 |
| Citations | | |
| Final Citations | 17 | 14 |
| Average Days to Complete | 249 | 218 |
| * Average Days to Complete Proposed Decisions/Default Decisions/Stipulations is based on the number of days from receipt of complaint to the effective date of Disciplinary Order. | | |

LICENSING DIVISION

INTRODUCTION

The Licensing Division is responsible for ensuring: 1) applicants meet education requirements prior to taking the Uniform CPA Examination (CPA Exam); 2) applicants for licensure have passed the CPA Exam and have met the education and experience requirements necessary for licensure; 3) accountancy partnerships and corporations are registered so they can offer services in California; 4) licensees have paid the required fees and have completed the required amount of continuing education hours in order to renew their license and demonstrate minimum competency; and 5) out-of-state licensees seeking the privilege to practice public accountancy in California have notified the CBA of their intent.

Although the main focus of the Licensing Division is to regulate entry into the profession, Licensing Division staff are an integral part of the enforcement process as well. A large number of enforcement complaints originate from within the office, based upon information provided by the current or potential licensee. For instance, the Renewals and Continuing Competency Unit routinely refers complaints to the non-technical enforcement unit related to licensees practicing with continuing education deficiencies, and practicing with expired licenses.

WORKFORCE AND SUCCESSION PLANNING

Licensing Division staff have made some preliminary strides towards workforce and succession planning. Staff within each unit is working on identifying specific tasks where there is no present written procedure or process and are directing staff to begin documenting. Initial steps have also been made toward cross-training staff within the Licensing Division. During the next fiscal year, staff will be working on restructuring the entire Licensing Division, which will incorporate merging various functions and having multiple staff trained on each task.

STRATEGIC PLAN ACCOMPLISHMENTS

Staff have been actively working on the eleven Strategic Plan Objectives directly related to the Licensing Division. Below is a status of a few where signification action has occurred.

- **Enhancing Customer Service Through Use Of Survey Tools**
Staff are presently working on an on-line survey to assess internal leadership, productivity, morale, and communication. The survey will also allow for staff to provide general open-ended comments.
- **Achieve Reasonable Timeframes For Processing License Renewal Applications**
Staff have done baseline evaluations within the Renewal and Continuing Competency Unit and are now monitoring the present timeframes quarterly for license renewal processing. Once the data is collected, staff will begin reviewing the timeframes and start developing the new processes and procedures, if necessary, to improve timeframes. The new credit card payment option may also be a factor that has an impact on the processing timeframes.

- **Provide The Option For Online Application For Licensure And License Renewal**
The DCA is presently working on a pilot program to allow licensees to pay their renewal fee via Credit Card. The pilot program is near completion and CBA staff will be advocating that the CBA be incorporated into the program. Additionally, IT staff will be working on a project to allow for candidates applying for the examination, licensure, and practice privilege the option to pay with a credit card.
- **Implement Mandatory Peer Review In California**
Peer Review was effective January 1, 2010 and staff have developed an on-line database reporting system to allow easy and automated reporting of peer review information by California accountancy firms.
- **Educate Licensees About The Peer Review Process**
Staff have developed several articles for the CBA *UPDATE* publication, news releases, frequently asked questions and letters to licensees in an effort to communicate the new peer review requirements to licensees. This will continue during the three-year rollout of the program.
- **Review General Accounting Requirements For Licensure And Revise Regulations As Warranted.**
Staff prepared information for review by the Qualifications Committee (QC) and CBA members regarding general accounting experience requirements for licensure. The QC has made a recommendation to the CBA that general accounting experience should not be further defined under the present statutory framework. The recommendation was heard by the CBA at the September 2010 meeting.

EXAMINATION UNIT

The Examination Unit processes applications to sit for the Uniform CPA Examination (CPA Exam), including the review of official transcripts and foreign credential evaluations to ensure that examination candidates meet the educational qualifications pursuant to Sections 5092 and 5093 of the California Business and Professions Code (B&P Code).

The Examination Unit is also responsible for posting candidates' test scores to their Client Accounts. Although staff have noticed a consistent increase in the number of scores received from NASBA, the Examination Unit continued the accelerated release of CPA Exam scores to most candidates within 45 days from the date of testing.

In December the diagnostic reports were made available to candidates along with their advisory scores in their Client Accounts. Candidates previously voiced concern and frustration at the fact that the diagnostic reports were only made available once CBA staff had posted the final score to the examination candidate's account. Due to the volume of scores received, there was a delay of time between the receipt of an advisory score and posting of a final score, up to several weeks. Examination Unit staff worked with the information technology staff to address the candidates' concern. Posting of the diagnostics with the advisory score provides candidates more time to assess possible weaknesses and prepare to retake a failed section of the CPA Exam.

Beginning January 1, 2011, the American Institute of Certified Public Accountants (AICPA) will be launching changes to the CPA Exam, which are being referred to as CBT-e. The changes to the CPA Exam are a direct result of the AICPA's 2008 Practice Analysis of the CPA Exam. A practice analysis is used to ensure the validity of the examination.

Significant changes to the CPA Exam being made by the AICPA include:

- Change in the examination section structure, section time allocations, and the percentage value of examination components.
- New question formats will be introduced.
- New content and skill specifications will go into effect, including testing of International Financial Reporting Standards (IFRS).

The decision to include IFRS on the CPA Exam was based on the determination that knowledge of IFRS is currently required of entry-level CPAs. Other international standards will also be included on the CPA Exam, such as International Standards on Auditing, International Federation of Accountants Code of Ethics for Professional Accountants, and International Accounting Standards. In order to inform licensees of CBT-e, Examination Unit and IT staff worked together to post information to examination candidates' on-line client accounts. In addition, staff developed articles on this topic for the Spring 2010 and Fall 2010 *UPDATE* publication.

In July 2009, Ken Bishop, from the National Association of State Boards of Accountancy (NASBA) and Craig Mills, Vice President of Examinations of the AICPA attended the July 2009 CBA meeting to provide a presentation regarding the international delivery of the CPA Exam. At the subsequent September 2009 meeting, Examination Unit staff provided information to CBA members regarding the topic. CBA members agreed to discuss this topic as additional information becomes available, and Examination Unit staff prepared a letter to NASBA and AICPA regarding the outcome of their discussion.

One of the concerns that has been expressed related to international delivery of the CPA exam relates to the condition that candidates must agree to become licensed after passing the CPA Exam. Section 30(a) of the B&P Code requires applicants to provide their Social Security number at the time of initial licensure. Therefore, foreign applicants seeking to test in their home countries as a California candidate would be unable to fulfill the commitment to obtain licensure in California unless they obtain a United States Social Security Number.

Statistics

| | FY 2008-09 | FY 2009-10 |
|--|---------------|---------------|
| Examination Applications Received | | |
| First-time Sitter | 7,751 | 7,666 |
| Repeat Sitter | 15,922 | 16,116 |
| Totals: | 23,673 | 23,782 |
| Processing Time Frames | 27 days* | 26 days* |
| Scores Processed | 35,829 | 37,993 |

* Average processing time frames for first-time applicants

INITIAL LICENSING UNIT

Upon passing the Uniform CPA Examination, completion of any additional education and obtaining the required experience, a candidate may apply for CPA licensure. The Initial Licensing Unit received 3,677 applications for CPA licensure during FY 2009-10. Each application must be thoroughly reviewed to ensure the applicant has met the education, examination and experience requirements necessary for licensure.

Until December 31, 2009, there were three avenues for licensure in California, Pathway 0, 1, and 2. Effective January 1, 2010, Pathway 0 was repealed. In anticipation of that date, staff mailed letters to all pending applicants who had previously applied for licensure under Pathway 0 advising them of the impending elimination and outlining the deficiencies needed to complete the application process. In addition, Frequently Asked Questions (FAQs) regarding the elimination of Pathway 0 were posted to the CBA Web site and included in the Winter 2009 issue of *UPDATE*. Staff also made changes to the Initial Licensure Handbook and the CPA Licensure Application to delete references to Pathway 0.

The repeal of Pathway 0 leaves applicants with two pathways to licensure in California:

- Pathway 1 requires a baccalaureate degree and two years of experience.
- Pathway 2 requires a baccalaureate degree, a total of 150 semester units of education, and one year of experience.

Looking forward, SB 819 makes Pathway 1 inoperative as of January 1, 2014, and, from that date forward, requires that the 150 semester units of education required by Pathway 2 include 10 semester units of ethics study and 20 additional semester units of accounting study.

Initial Licensing Unit staff will be accessing the NASBA Accountancy Licensing Database (ALD) to expedite processing time for CPA licensure applicants. This database will allow staff to verify the licensure of out-of-state CPAs who are providing supervision to California applicants. Presently, 28 states report licensing information to the ALD.

Firm Registration

The Initial Licensing Unit is also responsible for registering General and Limited Liability Partnerships (LLP), Corporations and Fictitious Name Permits¹. There were 289 accountancy firm applications received during FY 2009-10.

Processing Timeframes

The Initial Licensing Unit continues to maintain a zero backlog and is processing initial licensure applications for individuals, fictitious name registrations and firms in 30 days or less.

¹ A sole proprietor choosing to practice using a name other than the name under which the person holds a valid permit to practice issued by the CBA

Statistics

| | FY 2008-09 | FY 2009-10 |
|-----------------------------------|--------------|--------------|
| Licenses Issued by Pathway | | |
| Pathway 0 | 81 | 88 |
| Pathway 1 | 918 | 1,043 |
| Pathway 2 | 2,419 | 2,638 |
| Total Licensed | 3,418 | 3,769 |
| Average Processing Timeframes | 26 Days | 22 Days |
| Firm Registrations | | |
| Corporations | 215 | 227 |
| Partnerships | 82 | 109 |
| Fictitious Name Permits | 116 | 155 |
| Total Registrations | 413 | 491 |
| Average Processing Timeframes | 21 Days | 15 Days |

Requests for Certification of CBA Records

The Initial Licensing Unit is responsible for responding to requests for certification of CBA records. Although the majority of these requests are from California licensees or CPA Exam candidates who are applying for licensure out-of-state, the CBA also receives requests from other interested parties. In FY 2009-10 there was an increase of Certification Requests to 1,243, up from 1,137 in FY 2008-09.

Qualifications Committee

Initial Licensing Unit staff act as liaisons to the Qualifications Committee (QC). The QC reviews experience submitted by applicants during the licensure process. During FY 2009-10, there were 51 appearances before the QC, either personal appearance or Rule 69 (CBA Regulation 69). Of those, 34 applicants were approved for licensure and 17 applicants were deferred for additional experience.

In addition, there were three critical topics for discussion at the January and April 2010 QC meetings. The topics for discussion were:

- Further defining general accounting experience in Section 12 of the CBA Regulations
- Consideration of defining supervision in Sections 12 & 12.5 of the CBA Regulations
- Other states' attest experience requirements

In order to present the above three discussion items, staff researched what other state boards of accountancy are doing in these areas. The information obtained from the research conducted by staff was presented to the QC at its January and April 2010 meetings.

RENEWAL/CONTINUING COMPETENCY UNIT

The Renewal/Continuing Competency (RCC) Unit is responsible for processing license renewals for CPAs, PAs, and accountancy firms. CPA and PA licensees are required to renew their licenses biennially, in conjunction with their birthday. For those licensees selecting to renew their license in an active status, the RCC Unit ensures that the continuing education (CE) was completed in the appropriate manner. Accountancy corporations and partnerships are also required to renew biennially, corresponding with their registration date with the CBA. Firms must submit information pertaining to their shareholders or partners, and for corporations, complete the *Security for Claims Against an Accountancy Corporation* form.

In June 2009, the CBA reinstated the CE Audit Program to ensure that licensees are complying with the CE requirements set forth in the Accountancy Act and CBA Regulations. The audits also provide an opportunity to remind licensees of the CE reporting requirements and will hopefully reduce the number of renewal deficiencies received in the future. The CBA information technology staff developed a database that allows licensees to be randomly pre-selected and notified of the audit by mail approximately 90 days prior to their license expiration date.

At the time of license renewal, randomly selected licensees that maintain a license in an active status are required to submit certificates of completion, or equivalent documentation, for a minimum of 80 hours of CE. The certificates of completion are reconciled against the CE reporting worksheet and license renewal application to verify the licensee completed the minimum amount and appropriate subject matter during the license renewal period. Licensees found to have a deficiency must remedy any deficiencies prior to their license being renewed.

January 1, 2010 marked the inception of several new CE regulations. Three of the most significant changes are: (1) licensees must document completion of four hours of ethics education every two years, (2) licensees must complete a new course covering the Accountancy Act and CBA Regulations once every six years, and (3) licensees must document completion of at least 20 hours of CE, 12 of which must be in technical subject matter, in each year of the two-year licensure period.

On February 23, 2010 the CBA updated its Web site to include a continuing education page directed at licensees. The new web page includes information on the new CE requirements that took effect on January 1, 2010. Additional information regarding inactive license disclosure, a CE quick reference guide, how to select a CE course, CE extension and exemption requests, pre-selected CE audits, and a sample CE reporting worksheet were also included. On April 7, 2010 the CBA added additional information specific to CE providers including general course requirements, Board-approved regulatory review course requirements, and frequently asked questions.

As part of the new CE regulations, the Renewal/Continuing Competency Unit has been tasked with the responsibility of reviewing and approving Regulatory Review Courses. In FY 2009-10, five courses were reviewed and approved.

Effective with licenses expiring in August 2009, the RCC Unit made wholesale changes to the CPA/PA license renewal application. The purpose for the changes was threefold. First, to

include questions specific to the new CE changes; second, to include a conviction disclosure question; and third, to create an easier to read, more streamlined application.

Accounting Education Committee

RCC Unit staff act as a liaison to the Accounting Education Committee (AEC). The AEC is a nine-member, legislatively-established committee under the jurisdiction of the CBA tasked with assisting the CBA with defining an additional 20 units of accounting study that will be required for applicants for CPA licensure beginning January 1, 2014. During FY 2009-10, the AEC met twice – April 8, 2010 and June 23, 2010. Prior to the AEC's first meeting, staff sent a letter to over 800 California college/university accounting instructors for recruitment purposes, informing them about the committee and requesting résumés from those interested in working on the committee.

At the April 8th meeting, the AEC discussed:

- Existing CPA licensure requirements and the effect Senate Bill (SB) 819 had on the Pathways to licensure
- AEC directives, goals, and staffing
- Composition of the additional 20 units of accounting study

For this meeting, staff prepared various memorandums and issue papers to assist in discussion and provided a set of reference materials consisting of those sections of SB 819 that impacted the CBA, the present licensure requirements in the California Accountancy Act and CBA Regulations, and a Guide to the Bagley-Keene Open Meeting Act. Additionally, staff prepared an interested parties letter which was distributed to the same list used for recruitment purposes informing them of the committee's work and that all meeting materials would be made available on-line and all meetings would be webcast.

At the June 23rd meeting, the AEC discussed:

- SB 819's impact on mobility
- Education requirements for CPA licensure of other state boards of accountancy
- Defining terms and establishing a framework for the 20 units of accounting study

For this meeting, staff, again, prepared various memorandums to assist in the discussions. Staff performed an extensive amount of research to compile a table on the educational requirements of the other 54 U.S. jurisdictions.

Ethics Curriculum Committee

RCC staff act as a liaison to the Ethics Curriculum Committee (ECC). The ECC is an 11-member, legislatively-established committee under the jurisdiction of the CBA tasked with providing the CBA with guidelines on the 10 units of ethics study that will be required for CPA licensure beginning January 1, 2014. During FY 2009-10, the ECC did not meet, however, staff sent a letter to the various appointing entities informing them of their authority to make an appointment(s) to the ECC, as well as a letter to Senator Leland Yee's (author of SB 819) office requesting his assistance with obtaining appointments to the ECC.

Statistics

| | FY 2008-09 | FY 2009-10 |
|--|---------------|---------------|
| License Renewal Applications Processed | | |
| Certified Public Accountant | 34,007 | 34,112 |
| Public Accountant | 50 | 30 |
| Accountancy Partnerships | 562 | 482 |
| Accountancy Corporations | 1,380 | 1,217 |
| Total: | 35,999 | 35,841 |
| Regulatory Review Courses | | |
| Number of Courses Received (first time submission) | n/a | 12 |
| Number of Courses Returned for Corrections | n/a | 8 |
| Number of Revised Courses Received (initial submission returned for corrections) | n/a | 7 |
| Number of Courses Approved | n/a | 5 |
| Pre-Selected CE Audit Statistics | | |
| Number of Initial Audit Letters Sent | n/a | 780 |
| Total Audits Performed | n/a | 359 |
| Number of Deficiencies Identified | n/a | 36 |
| Number of Deficiencies Cleared | n/a | 24 |
| Number of Enforcement Referrals | n/a | 0 |
| Number of Outstanding Deficiencies | n/a | 12 |

PEER REVIEW

Beginning in Spring 2007 and continuing into 2008, the CBA reexamined the institution of a mandatory peer review requirement for California-licensed accounting firms. This continued a nearly decade-long look at mandatory peer review by the CBA. After extensive research and consideration of peer review, which included all recommendations outlined in the CBA's *2005 Peer Review Report* (submitted to the Legislature in August 2005), the CBA concluded that implementation of a peer review program would result in that substantial benefits by consumers and the profession.

In order to assist the CBA in its pursuit to comply with its consumer protection mandate, the CBA elected to sponsor legislation, AB 138 (Hayashi), which became law January 1, 2010, implementing a mandatory peer review program for California. AB 138 requires firms, including sole proprietorships, providing audit, attest, or compilation (accounting and auditing) services to undergo a systematic review to ensure that work performed conforms to professional standards. Peer review is required for these firms every three years as a condition for license renewal.

In anticipation of the final passage and signing of AB 138, staff began gearing up for implementation of mandatory peer review. A 30-point Peer Review Implementation Plan was created by CBA staff and is currently being utilized as an outreach tool regarding Peer Review. Staff prepared a letter to send to all licensees with license numbers ending in 01-33, notifying them of the requirement to report peer review information. The reporting date for this group of licensees is July 1, 2011. The letter contains information about who is subject to peer review and information on how to report peer review information on the CBA Web site via the new on-

line Peer Review Database, which became available July 1, 2010. The letter also provides information on downloading a hardcopy of the Peer Review Reporting Form, and directs licensees to contact the CBA should they need a form mailed.

CALIFORNIA PRACTICE PRIVILEGE

In order to practice under California Practice Privilege, out-of-state licensees are required to submit the CBA Notification Form, which is available for submission on-line or via hardcopy. Practice rights under the California Practice Privilege are automatic upon submission of the Notification Form unless specific disqualifying conditions exist that require prior CBA approval.

To ensure that these key consumer protection elements are effective, the CBA established a verification of qualifications procedure. To date staff have issued 53 Administrative Suspension Orders to California Practice Privilege holders not qualified to practice under the Practice Privilege Program.

Statistics

| | FY 2008-09 | FY 2009-10 |
|--|-------------------|-------------------|
| Practice Privilege Notification Forms Received | 2,622 | 2,403 |
| Disqualifying Conditions Received | 39 | 39 |

CLIENT SERVICES UNIT

The Client Services Unit (CSU) provides support to other units within the Licensing Division, while also tasked with several Licensing Division special projects. The unit is staffed with four staff services analysts.

One of the most significant projects undertaken by the CSU has been the development of standardized CBA-specific talking points for CBA members and staff who conduct presentations to outside organizations. The purpose of the talking points is to assist in providing a standardized message regarding the CBA and its present activities.

The following is a list of a few of the projects undertaken by the CSU in the past year:

- Coordinated the renewal of the CBA-approved Foreign Credentials Evaluation Services.
- Implemented a new process for licensee name changes that will enable a licensee's prior name to show on the CBA's License Look-up feature.
- Registered the Uniform CPA Examination with the Department of Veteran Affairs (VA), thus allowing veterans applying for the CPA Exam to be reimbursed by the VA for the examination section fees paid to NASBA and the related fees paid to the CBA.
- Re-implemented site visits to Prometric sites that offer the CPA Exam.
- Kept current the CBA Telephone Menu Script for the entire automated telephone system.
- Streamlined the Interstate Score Reporting Request and Processing.
- Developed a plan to survey staff's internal customer service, specifically leadership, productivity, morale, and communication.

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